



U.S. Senator Tim Johnson

Talks Candidly About

The Bitter Pill

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A Look At Ways To Make Prescription Drugs Affordable to the Americans Who Need Them

Did You Know...?

The House of Representatives recently passed a bill opposed by senior groups but supported by drug companies. That's great news for drug company stockholders, but the bill offers precious little help for most South Dakota seniors. (Page 2)

Drug company profit margins are nearly six times as high as the profit margins of the average Fortune 500 company. Low tax rates and billions of dollars in free taxpayer-funded research haven't convinced them to keep prices affordable though... (Page 3)

U.S. Senator Tim Johnson has been working to lower prescription drug prices for more than ten years. (Page 3)

Americans pay the highest prices in the world for our medication -- several times more than people in other countries. (Page 4)

Johnson's Generic Drug Bill Passes Senate

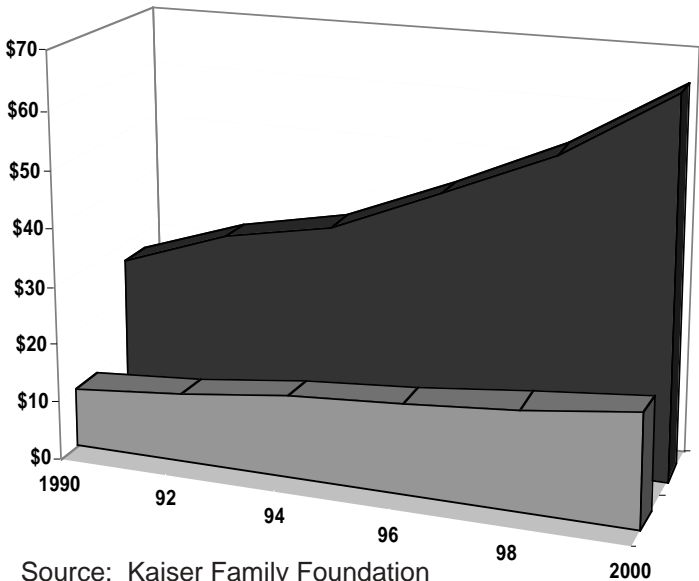
In late July, the United States Senate passed the Greater Access to Affordable Pharmaceuticals Act (S.812), legislation designed to lower the cost of prescription drugs by bringing generic drugs to the market much faster. U.S. Senator Tim Johnson, a sponsor of the legislation, has been pressing for it the past few years in an effort to make prescription drugs affordable for the Americans who need them.

Generic drugs are the therapeutic equivalents of the brand-name drugs that are manufactured by a competing drug company. Because more than one company is selling the same compound, the competition forces both companies to offer the lowest possible prices. Generic equivalents typically save consumers 30% to 60% off the cost of brand-name drugs, and studies have repeatedly demonstrated that the price of brand-name drugs drops sharply – often by half or more – as soon as a generic competitor enters the market.

Almost half of all prescription drugs sold in the United States are generic drugs, but their lower price means that generics account for only about 10% of pharmaceutical spending.

Brand-name drug manufacturers dislike generic equivalents because the competition often forces them to reduce prices and lower their hefty profit margins. It is this fear of competition that has prompted more and more pharmaceutical companies to file frivolous patent lawsuits, and to manipulate loopholes in existing law in order to protect their monopoly and enormous profit margins for as long as possible.

Prices of Brand Name Drugs Rise Faster Than Prices of Generics



Source: Kaiser Family Foundation

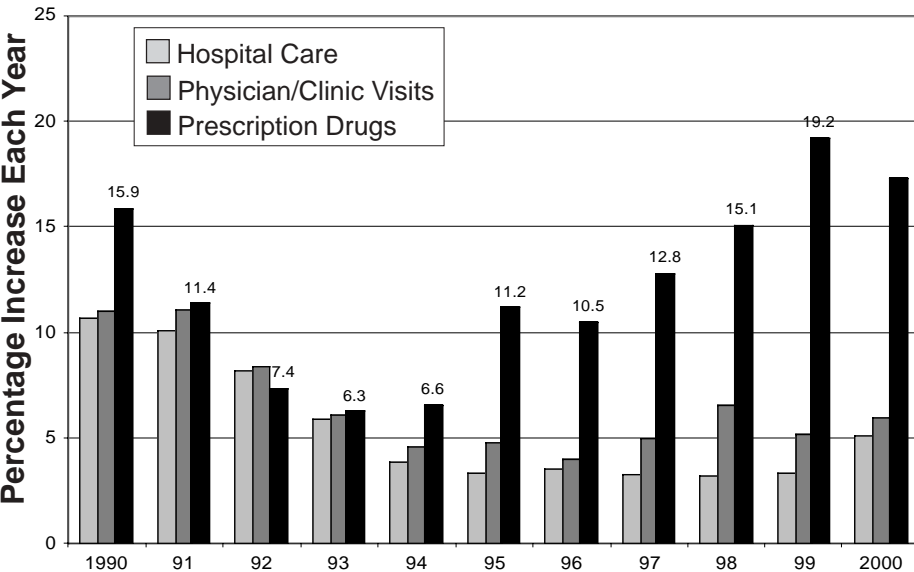
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Consumer groups and medical professionals encourage patients to ask for generic equivalents because patients are able to achieve the same benefit at a fraction of the cost.

The legislation passed by the Senate will make it faster and easier for generic drug companies to apply for FDA approval to market their product, thereby reducing the amount of time it takes to bring a generic drug to market. The sooner a generic drug enters the market, the sooner patients, insurers and taxpayers will be able to save money by choosing the lower-cost therapy. The legislation will also make it harder for brand-name manufacturers to abuse patent laws and drive away competition.

The legislation currently awaits action by the House of Representatives.

The Amount Spent on Prescription Drugs has Increased Much Faster than Other Health Expenses



Source: Kaiser Family Foundation

Prepared, published and mailed at taxpayer expense.

Johnson Disappointed by Inaction on Prescription Drugs

As a national leader in the effort to add a prescription drug benefit to Medicare, U.S. Senator Tim Johnson pressed for passage of a Senate proposal that would provide guaranteed prescription drug coverage to every senior citizen who chose to participate. The proposal, known as the Graham-Miller plan, would have offered meaningful drug coverage at an affordable price to every Medicare beneficiary. Although the proposal received 52 votes in the Senate, 60 votes were required for passage.

Johnson had supported the Graham-Miller plan, as well as another compromise plan known as Graham-Smith. **Both bills were a significant improvement over a bill passed by the House of Representatives, which was written by big drug companies for their own benefit.**

Under the Graham-Miller plan that Johnson supported, Medicare beneficiaries would pay only a \$25 monthly premium. Participants would receive coverage for every prescription filled, without any deductible or coverage gap, paying as little as a \$10 copayment for each prescription. If a participant's out-of-pocket drug costs exceeded \$4,000 per year, they would not pay one additional penny for their medication.

The plan would have offered welcome relief for thousands of South Dakota seniors who struggle to pay for the medication they need.

Though disappointed that the Senate failed to pass prescription drug legislation after his years of working on this issue, Johnson remained optimistic and pledged to continue his work on this issue. Noting that the Senate had passed his legislation to allow greater access to low-cost generic drugs and to allow lower-cost prescription drugs from Canada to be reimported into the U.S., Johnson said, "It's a top priority of mine to make prescription drugs more affordable. Too many Americans find themselves unable to pay for the medication they need. It's ridiculous to allow hardworking Americans to be exploited in ways that no other industrialized nation tolerates."

By contrast, the House of Representatives' bill would have benefitted the already-lucrative bottom line of pharmaceutical companies and given some politicians an opportunity to look concerned about rising drug costs, but it was an ineffective bill that did too little for average American seniors.

The House bill provided a complicated coverage scheme that would throw an estimated 56,000 South Dakota senior citizens into a "benefits hole" in which they continue to pay premiums and high drug costs without receiving any benefits when prescription drug expenses total \$2,001 - \$3,700 (\$4,800 in total spending) per year. Furthermore, it did not guarantee coverage to anyone, and the premiums and benefits would vary from region to region. Though some South Dakotans may be able to get the limited coverage offered by the House plan, their monthly premiums might be higher than people living in other areas, and their coverage may not be as good.

"People living on a fixed income can't play those kinds of guessing games with their health," Johnson said. "South Dakota seniors need to know how much their premiums will be and what expenses will be covered. **They deserve straight answers, and they also deserve to have coverage that is every bit as good as coverage offered to people living in Texas or New York or Florida.**"

Johnson pledges to continue pressing for meaningful prescription drug coverage for senior citizens, as well as affordable pharmaceutical prices for all Americans.

Taxpayers Fund Most of Drug Research

In 2000, the National Institutes of Health (NIH) studied the top five selling drugs in 1995, each of which had more than \$1 billion in sales. In all cases, the American taxpayer provided the bulk of the research leading to development of these drugs. The drug companies themselves, who reap 100% of the profits, provided an average of only 15% of the research.

Source: Internal NIH document dated February 2001, released under Freedom of Information Act. The top five selling drugs were Zantac, Zovirax, Vasotec, Capoten, and Prozac.

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In A Nutshell

Graham-Miller plan:

Unlike the House plan, which contains huge gaps in coverage and changing coinsurance levels, this plan would:

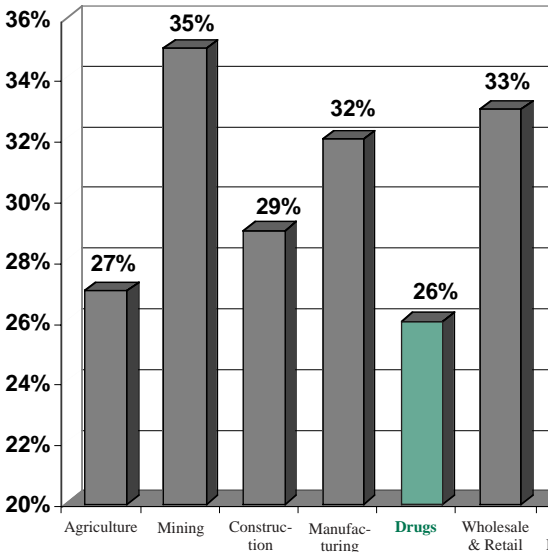
- Provide coverage for every prescription, without any deductible or coverage gap, as a defined benefit under Medicare.
- Cover ALL drug expenses once a beneficiary reaches the \$4,000 catastrophic limit for out-of-pocket costs.
- Be available for a fixed monthly premium of only \$25, with no deductible.
- Offer coverage to all seniors, regardless of where they live.

House plan:

Unlike the Graham-Miller plan, the House plan has a \$250 deductible in addition to a higher monthly premium. The House plan also:

- Contains huge gaps in coverage and changing coinsurance levels.
- Requires typical beneficiaries to continue paying 71% of all their drug spending.
- Forces seniors into drug HMOs -- private insurance companies that have already proven they have little enthusiasm to participate. Many South Dakotans may be left without coverage options if companies don't see enough profit from doing business in rural areas.
- Premiums and benefits will vary from region to region, so seniors in some areas will get a better deal than others.

Drug Companies Pay Lower Taxes



2001 Revenue and Profit Margins for Top Drug Companies

	Revenue
Amgen	\$4.0 billion
Eli Lilly	\$11.5 billion
Forest Laboratories	\$1.2 billion
Johnson & Johnson	\$33.0 billion
Merck	\$47.7 billion
Pfizer	\$32.3 billion
Pharmacia	\$19.3 billion
Schering-Plough	\$9.8 billion

Drug Industry Average: Fortune 500 Average:

"Revenue" means net sales and other earnings for the last 12 months, excluding taxes divided by total sales for the prior 12 months.
Sources: *Business Week*, Kaiser Family Foundation

Tim Johnson on Social Security:

Opposes privatization: Social Security benefits shouldn't depend on whether Enron's stock goes up or down.

No benefit cuts. Benefits should be assured for all Americans who have earned them.

Budget Discipline: We need to make wise tax and budget choices with the federal treasury today, because the trust fund will be challenged when the Baby Boom generation retires.

Tax-free benefits: Johnson voted to repeal the tax on Social Security benefits.

Top Salary And Benefit Packages

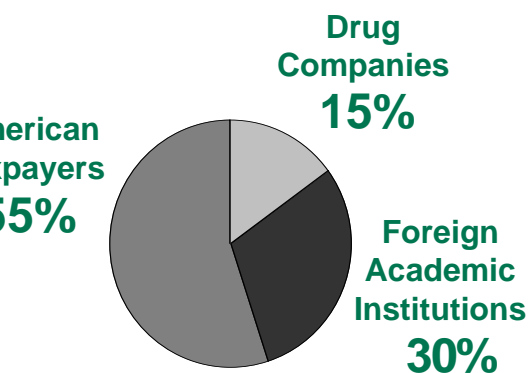
Company

Forest Labs	Howard S.
IDEC Pharmaceuticals	William I.
Pfizer	Henry A.
Amgen	Kevin W.
Abbott Laboratories	Miles D.

Average Salary of a South Dakota worker Average annual Social Security benefits

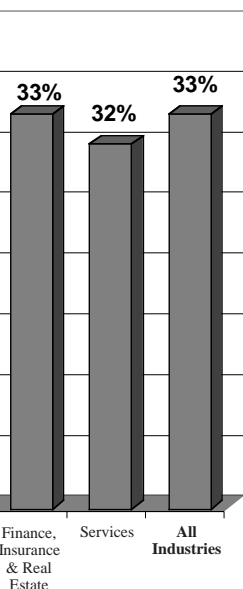
Source: Forbes, Social Security Administration, South Dakota

Most Drug Research



2000, obtained by Public Citizen through the
g drugs in 1995 were included in this study:
zac.

ax Rates Than Other Industries



In addition to billions of dollars in free, taxpayer-funded research, the pharmaceutical industry enjoys much lower effective tax rates than other industries.

Source: Congressional Research Service, 2002

r Major Pharmaceutical Companies

Company	Net Profit Margin
Amgen	28.4%
Bristol-Myers Squibb	22.3%
Eli Lilly	23.0%
GlaxoSmithKline	17.8%
Novartis	14.5%
Pfizer	25.0%
Schering-Plough	13.5%
Sunovion	19.3%
Wampole Laboratories	18.5%
Wampole Laboratories	3.3%

t 12 months. "Net Profit Margin" is net income after

s of Drug Company Executives

Executive	Total Annual Compensation
CEO	
Solomon	\$148.5 million
H. Rastetter	\$27.9 million
McKinnell	\$23.8 million
Sharer	\$12.9 million
White	\$8.5 million

ker: \$25,599

t for a South Dakota retiree: \$9,288

Dakota Department of Labor

U.S. Senator Tim Johnson: Working for Affordable Medicine for More than a Decade

It's been more than a decade since Tim Johnson helped write his first piece of legislation designed to drive down the price of prescription drugs for working Americans. Serving in the U.S. House of Representatives in 1992, Johnson helped sponsor legislation to help put an end to price-gouging by pharmaceutical companies.

Although he didn't know it at the time, crafting this legislation marked the start of a decade-long odyssey to make prescription drugs affordable for all Americans. Now a Senator, Johnson has become a national leader in the fight for fair pharmaceutical prices. Twice in the past year, he was selected to provide his party's response to the President's weekly radio address, and each time he has chosen prescription drug prices as the subject of his message to the nation. It's an issue he cares deeply about.

"I worry that we're becoming a nation of 'haves' and 'have nots'—those who have prescription drug coverage, and those who are left behind to fend for themselves," Johnson said. "It's alarming how many honest, hardworking Americans suddenly find themselves sliding into the 'have not' category – and through no fault of their own. They worked all their lives and paid their taxes. Their only crime is growing old or getting sick."

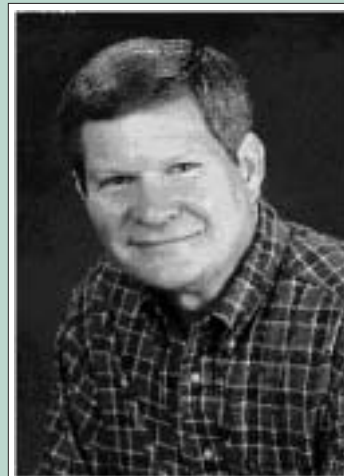
It is the letters and phone calls he gets from South Dakotans that energize Johnson to keep working on this issue. "I get letters from elderly couples who take turns getting their prescriptions filled because they can't afford medication for both of their illnesses, and I hear from people who cut their pills in half to make them last longer. I will never give up the fight to help those people get the medica-

tion they need. Every American who has worked hard all their lives, paid their taxes, and put a little money aside for retirement should not suffer the indignity of losing everything they've worked for just because they need medicine."

It's not just the elderly who worry about this issue. Many of the calls and letters Johnson gets are from young and middle-aged people who watch their aging parents struggle with tough choices: which one of their prescriptions

they can afford to have refilled this month... whether to pay the light bill or buy their heart medication.

"No one in America should have to go through that," Johnson added. "And no one should have to watch their parents go through it, either."



Sen. Tim Johnson

"I worry that we're becoming a nation of 'haves' and 'have nots'—those who have prescription drug coverage, and those who are left behind..."

—U.S. Senator Tim Johnson

Share Your Story!

If you, or someone you know, has faced tough decisions because of rising prescription drug prices, contact Senator Tim Johnson's office. You can call toll-free from anywhere in South Dakota:

1-800-537-0025

Americans Subsidize The World... One Pill At A Time

It's expensive to be an American these days. We pay the highest prices in the world for medication, and those prices are only getting higher. Meanwhile, drug companies sell the exact same products overseas for a fraction of the price they charge here.

Americans subsidize the pharmaceutical industry by covering much of the cost that goes into research and development through taxpayer-funded grants and tax breaks for pharmaceutical companies. We also subsidize the rest of the world's health care, by paying top dollar for our medication. The higher prices we pay allow pharmaceutical companies to sell their drugs overseas for a fraction of our costs, without having to sacrifice their lucrative financial position. **U.S. Senator Tim Johnson says that amounts to discrimination against Americans simply because they *are* Americans, and it's a slap in the face to the hardworking Americans whose tax dollars helped develop those drugs.**

For years, U.S. Senator Tim Johnson has been working with colleagues from both political parties in sponsoring legislation that would lower drug prices for all Americans by allowing pharmacists and wholesalers to reimport drugs that had been manufactured in the United States and shipped overseas. **By bringing those drugs back into the U.S. from countries where drugs are sold at much lower prices, those savings could be passed along to consumers. On average, Johnson's proposal would lower the cost of a prescription by nearly 40%.**

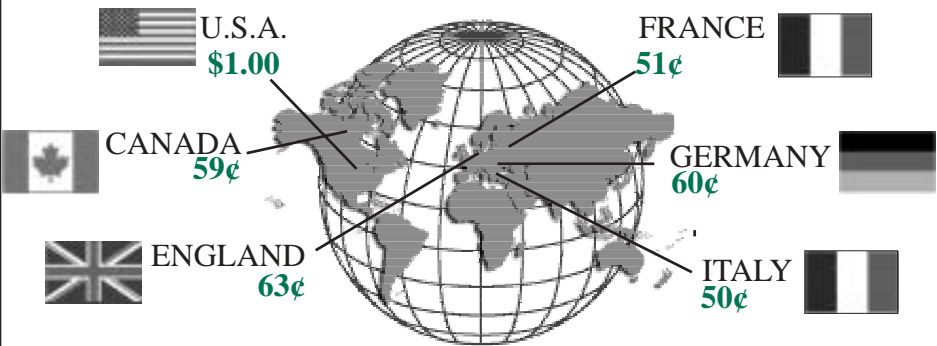
A similar measure was passed in 2000 and signed into law by then-President Clinton. Unfortunately, the incoming Bush administration balked at the idea, and Health and Human Services Secretary Tommy Thompson refused to implement the new law. However, as drug prices have continued to skyrocket beyond the means of many Americans, elected officials are beginning to see the wisdom of Johnson's early efforts on this issue.

Johnson sponsored legislation passed by the Senate earlier this year that would allow reimportation of FDA-approved prescription drugs from Canada. This could cut the cost of drugs by more than half, making lower prices available to all Americans at their local pharmacy. The legislation currently awaits action by the House of Representatives.

Senator Johnson remains committed to the notion that Americans should be treated fairly, and continues to work with a bipartisan group of Senators to pass legislation that will help make medication, including medicines developed by American tax dollars, affordable to all Americans who need them.

How Much More Do We Pay?

If Americans pay an average of \$1.00 for a pharmaceutical product, that same product would have a much lower average cost in other industrialized nations.

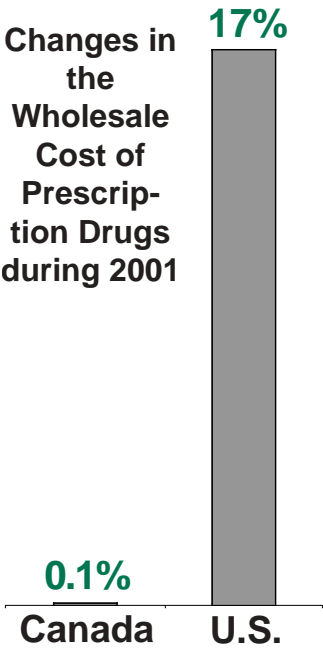


Source: Based on the Patented Medicine Prices Review Board, 2001 Annual Report. Prices are converted to U.S. currency for comparison purposes.

Why Canada?

Much attention has been focused on the cost of prescription drugs in other countries, compared with the much higher prices we pay in the United States. Many seniors, as well as people of all ages who have serious illnesses, go to Canada or other countries to purchase their prescription medication. Medication in every other country costs a fraction of what we pay in the United States.

Changes in the Wholesale Cost of Prescription Drugs during 2001



Source: Patented Medicine Price Review Board's 2001 Annual Report and Scripps

Share Your Story!

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1-800-537-0025

Or, visit his website:
<http://johnson.senate.gov>